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SUBJECT: PERUVIAN PRIORITIES FOR APEC 2006

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**¶1.** (SBU) We spoke to Juan Carlos Capunay, Ambassador to APEC at the Ministry of Foreign Affairs on February 1 to discuss Peru's priorities for APEC 2006. While there are several items of importance to Peru, Ambassador Capunay highlighted the following areas as Peru's priorities:

--Trade: Peru wants to continue promoting the WTO and Doha Development Agenda, particularly in light of the developments in Hong Kong in December. Ambassador Capunay stated that the GOP wants to promote enhanced dialogue with the International Financial Institutions in the area of Asia-Pacific Development.

--Small Business Competitiveness: Peru is particularly interested in promoting capacity building measures for small and medium enterprises (SMEs) to improve the business environment.

--Health Issues: While Ambassador Capunay acknowledged that health issues such as avian influenza are not as high on the Peruvian domestic agenda, the GOP wants to support its Asian partners in the battle against a possible epidemic.

**¶2.** (SBU) Ambassador Capunay further noted that the APEC economies should make a decision on new membership rules in 2006/2007. He explained that during the last membership expansion in 1998, APEC placed a 10-year moratorium on further expansion. The Peruvian Government position on APEC membership policies is that the current APEC economies should first accomplish the Bogor Goals and reforms before electing new members. Ambassador Capunay noted that he recently spoke to the Singaporean delegation about the possibility of an additional five-year moratorium on membership; APEC would then open its membership to possible candidates in 2013. The Peruvian Government will likely push for reform on the membership process in 2006, calling for a decision by 2007.

**¶3.** (SBU) Ambassador Capunay noted that some APEC member economies are interested in promoting a Free Trade Area of the Asia-Pacific (FTA-AP). The Peruvian position on the FTA-AP is that while it supports the idea in general, Peru has some concerns about how to move forward. Ambassador Capunay noted that the GOP is adamantly against the Chilean proposal for two classes of members with different rights. For Peru to agree to an FTA-AP, he noted, all member economies should be granted the same privileges, regardless of economic strength and products traded. Ambassador Capunay also indicated that the GOP believes that FTA-AP negotiations could prove difficult, as the 21 APEC economies have very different levels of development and different definitions of sensitive products.

¶4. (SBU) The GOP will request a bilateral meeting with the U.S. delegation during the Senior Officials Meeting in Vietnam. One item on Peru's agenda will be a clarification of the East Asia Forum, established in Malaysia last December. Ambassador Capunay noted that this forum includes almost all of the APEC economies, except the three Latin American countries. The Peruvian delegation will likely inquire about how the East Asia Forum will affect the workings of APEC and whether the East Asia Forum will eventually surpass APEC as the key Asian economic forum.

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